

Message Text

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PAGE 01 STATE 058396

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ORIGIN ARA-10

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DRAFTED BY ARA/BC/B:RLNICHOLSON:EO

APPROVED BY ARA/BC:JEKARKASHIAN

EB/IFD/ODF:RGELBARD (DRAFT)

LA/MRSD:PLANSDALE (DRAFT)

LA/DR:RSEIFMAN (INFO)

ARA/BC:WLOWENTHAL (DRAFT)

TREASURY:NKIRK (SUBS)

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R 150045Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

C O N F I D E N T I A L STATE 058396

E.O. 11652: GDS

TAGS: EAID, IBRD, BL

SUBJECT: DISCUSSIONS WITH IBRD

REF: LA PAZ 1485

1. OLESON AND NICHOLSON MET WITH IBRD OFFICIALS MARCH 4 TO REVIEW MUTUAL LENDING PLANS. IBRD STAFF RECOMMENDATIONS, PROVIDED US ON AN INFORMAL AND CONFIDENTIAL BASIS, CALL FOR AN FY 1975-1980 PROGRAM OF APPROXIMATELY \$285 MILLION.

A. FY 75 PROGRAM.

(1) RAILWAY LOAN: PACKAGE WILL REQUIRE APPROXIMATELY \$32 MILLION EXTERNAL FINANCING. THE BANK IS PRESSURING BOLIVIANS TO OBTAIN BILATERAL FINANCING FOR AT LEAST A PORTION OF ROLLING-STOCK (LOCOMOTIVES, FERROL BUSES, ETC.). THIS WOULD LIMIT BANK'S EXPOSURE AND, IF MORE CONCESSIONAL TERMS CAN BE FOUND, LIGHTEN DEBT BURDEN ON ENFE. THUS FAR
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PAGE 02 STATE 058396

NEITHER JAPANESE NOR GERMANS HAVE SHOWN MUCH INTEREST.

(2) AGRICULTURE CREDIT LOAN: \$5 MILLION IDA LOAN TO BAB COULD BE AUTHORIZED IN 1975 IF ADMINISTRATIVE REFORMS MOVE AHEAD AND INDEXING PROBLEM IS RESOLVED. IN ADDITION TO LIVESTOCK, FINANCING WILL BE PROVIDED FOR SUPERVISED CREDIT TO SMALL FARMERS FOR BOTH CROPS AND LIVESTOCK.

B. FY 76 LOANS.

(1) TECHNICAL ASSISTANCE: A \$5 MILLION LOAN FOR FEASIBILITY STUDIES AND CONSULTANTS TO HELP KEY INSTITUTIONS DEVELOP CAPACITY TO ABSORB EXTERNAL LOANS. IT COULD FINANCE LIMITED PHYSICAL EXPANSION FOR AFFECTED AGENCIES AND WOULD NOT BE LIMITED TO ANY PARTICULAR SECTOR.

(2) BISA CREDIT: \$7-10 MILLION FOR MEDIUM MINERS SIMILAR TO PRESENT LOAN. THE EXISTING LOAN HAS FINANCED STUDIES ON CREDIT NEEDS OF SMALL MINERS AND THIS MAY LEAD TO A THIRD LOAN FOR SMALL MINES, PERHAPS IN 1977 THROUGH BANCO MINERO.

C. FOCUS FUTURE LENDING: THE STAFF RECOMMENDATION INDICATES A SHIFT OF BANK FINANCING TO THE SOCIAL SECTORS.

(1) INFRASTRUCTURE: THE BANK STAFF BELIEVES BILATERAL FINANCING WILL BE SUFFICIENT TO COVER IMMEDIATE HIGHWAY AND PIPELINE CONSTRUCTION PROJECTS. HOWEVER, IT DOES SEE NEED FOR IBRD FINANCING FOR AIRPORT IMPROVEMENT, NAV-AIDS, AND NEW AIRPORTS IN ISOLATED AREAS. SUCH FINANCING WOULD BE KEYED TO UN TECHNICAL ASSISTANCE AND IMPROVED AASANA ADMINISTRATION.

(2) RURAL WATER SUPPLIES: PRELIMINARY PLANS PROJECT COMMUNITY SYSTEM ALONG LINES SUGGESTED IN WHO REPORT WITH FINANCING BEING CHanneled THROUGH HOUSING BANK. WE WILL ATTEMPT TO OBTAIN FURTHER DETAILS ON THIS PROPOSAL OVER NEXT FEW WEEKS.

(3) EDUCATION: AGAIN, PRELIMINARY STAFF PROPOSAL
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PAGE 03 STATE 058396

SUGGESTS AID TO MINISTRY OF EDUCATION FOR RURAL EDUCATION FOCUSED IN ALTIPLANO. BANK IS CONSIDERING CONTRACTING UNESCO TO DO SECTOR ANALYSIS AS GUIDE TO ITS INVOLVEMENT.

D. IDA FINANCING: BANK STAFF OFFICIALS ESTIMATE THAT LIMITED IDA FUNDS WOULD REMAIN AVAILABLE TO BOLIVIA AT ABOUT \$5 MILLION PER YEAR UNTIL "THIRD WINDOW" OPENED. PRESENT BANK PLANS SEE FY 1976 AS TARGET FOR ESTABLISHMENT

NEW FUND WHICH WOULD HAVE INTEREST RATES BETWEEN PRESENT BANK "HARD" TERMS AND IDA'S "SOFT TERMS--OR AROUND FOUR PERCENT. BANK REPRESENTATIVE SAID CONSIDERATION WAS ALSO BEING GIVEN TO A LIBERAL REPAYMENT PERIOD UNDER RAILWAY LOANS--25 YEARS INSTEAD OF USUAL 15--IN ORDER TO LESSEN STRAIN ON BOLIVIA'S REPAYMENT SCHEDULE AND PROVIDE BRIDGE TO OPENING "THIRD WINDOW". FYI: IDA AVAILABILITIES AND CRITERIA FOR DISTRIBUTION UNDER CONTINUING REVIEW IN BANK.

THUS \$5 MILLION FIGURE IS OBVIOUSLY QUITE TENTATIVE. WHETHER OR NOT "THIRD WINDOW" PROPOSAL WILL PROSPER ALSO UNCERTAIN. AS USG POSITION ON SUBJECT STILL UNDER CONSIDERATION, WE SUGGEST THIS ITEM NOT BE RAISED WITH GOB. END FYI.

2. COMMENT: AS IBRD MOVES TOWARD MORE FINANCING IN SOCIAL SECTORS, CLOSER COORDINATION BETWEEN LENDERS BECOMES IMPERATIVE BOTH TO AVOID PROJECT OVERLAP AND, OF EQUAL IMPORTANCE, TO AVOID OVERLOADING AND CONFUSING BOLIVIAN INSTITUTIONS CHARGED WITH PROJECT EXECUTION. WE INTEND TO ASK CEP-CIES TEAM TO GIVE SPECIAL ATTENTION TO THIS PROBLEM DURING ITS VISIT TO BOLIVIA NOW SCHEDULED FOR APRIL.

3. FYI: BANK REPRESENTATIVE EXPLAINED THAT MR. KNOX'S DECISION TO VISIT BOLIVIA WAS MADE DURING TOUR OF SEVERAL COUNTRIES TO ASSESS STATUS OF PROJECT PREPARATION. IBRD REPRESENTATIVES HAD BEEN IN BOLIVIA FOR SEVERAL WEEKS AND REPRESENTATIVE INDICATED THAT THEIR PRESENCE, IF NOT KNOX'S, WAS KNOWN TO EMBASSY/AID. WE OF COURSE WILL CONTINUE TO KEEP EMBASSY INFORMED OF VISITS BY SENIOR OFFICIALS OF OTHER LENDING AGENCIES TO THE BEST OF OUR ABILITY, BEARING IN MIND THAT SUCH INFORMATION IS PRO-CONFIDENTIAL

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PAGE 04 STATE 058396

VIDED US AS A COURTESY BY OTHER AGENCIES AND OCCASIONAL LAPSES CAN BE ANTICIPATED. END FYI. INGERSOLL

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